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SUBJECT: EGYPT'S ECONOMY: AUGUST 17 PRESS ROUND-UP

¶1. (U) The following are notable economic news stories that appeared over the past week in the Egyptian press:

Agriculture Products Irrigated by Sewage

¶2. (U) Food safety continues to be a major concern in Egypt following the discovery that thousands of acres of farmland in the Helwan governorate south of Cairo are being irrigated with municipal sewage water. These farms supply the Cairo market with fresh vegetables. The GOE is trying to mitigate the impact of these concerns by resolving the issue quickly. Egypt's fresh fruit and vegetable exports to Europe are produced in well-managed farms, mainly in the Delta region and should not be impacted by this latest problem. (Al Masry Al Youm, Al Akhbar, 8/9/2009 - 8/13/2009).

New Real Estate Tax Law Approved by Minister of Finance

¶3. (U) On August 7, Minister of Finance, Youssef Boutros Ghali approved the new real estate tax law. The new law provides regulations for assessing the rental value of real estate units. The law exempts housing units whose annual rental value is less than LE 6,000 (US\$1085). Amounts which exceed this limit will be subject to tax. Buildings used for education, government, unions, political parties, and youths centers will be exempt from the tax. The Minister said the law specifies the rules for determining the value of real estate taking into account such factors as geographical location, desirability, proximity to public parks, and the nature of the district and the street in which the building is located (Al Ahram, 8/8/2009).

Suspension of Sugar Duties

¶4. (U) Minister of Finance Youssef Boutros Ghali announced that Egypt will exempt imports of raw and refined sugar from customs duties from August 15 until the end of December 2009. The decree will be submitted to the Prime Minister for ratification and issuance. The decision aims to decrease the price of sugar in the local market during the month of Ramadan and beyond in the face of high world sugar prices. Egypt consumes around 2.2 million tons of sugar per year, including about 1.4 million tons produced domestically. About 60% of Egypt's sugar imports come from Brazil (Al Ahram, Al Akhbar 8/11/2009).

Foreign Companies to Market their Gas Locally

¶5. (U) A government official indicated that Egypt would allow foreign partners to sell their share of natural gas in the Egyptian market through direct contracts with buyers rather than through the

government. A new Oil and Natural Gas Regulatory Authority will determine the guidelines for such contracts. This new authority is expected to be approved by the People's Assembly during the next parliamentary session (Al Masry Al Youm, 8/9/2009).

Inflation registering 9.9% in July 2009

¶6. (U) According to figures released by the Central Agency for Public Mobilization and Statistics (CAPMAS), year-on-year inflation was essentially flat from June to July (9.98% in July, vs. 9.96% in June). The monthly change in the Consumer Price Index (CPI), however, jumped to 2.2%, from the previous month's 0.4%. Annual changes reflect that prices of housing and utilities, furniture, transport, communication, recreation and miscellaneous items were rising by a lower pace, while prices in hotels and restaurants rose at a faster pace in July. Inflation has been declining steadily for the few past months, but spending ahead of Ramadan, could put a break on further decline (Al Masry Al Youm, 8/12/2009).

Site Location Studies for the First Nuclear Power Plant

¶7. (U) Minister of Electricity and Power Hassan Younis said that the Australian consulting firm Worley Parsons will complete the updated site selection study for the location of Egypt's first nuclear power plant by December 2009. He added that the site of El Dabba, located on the Mediterranean Sea, is still allocated to the Egyptian Nuclear Power Plants Authority (NPPA) and that the GOE has begun reactivating its nuclear cooperation agreements with the United States, EU, and Russia (Al Ahram, Al Masry Al Youm, 8/10/2009).

Announcing New Pricing Policy for the Tourism Season

¶8. (U) The Hotels and Tourism Entities Chamber of Commerce announced a new pricing policy for the tourism season, extending from October 2009 to October 2010. The new policy allows tourism companies to freely set their rates, provided they are not more than 25% lower than previous rates. This policy would enable the hotels to better deal with the repercussions of the global economic slowdown (Al Mal, 8/11/2009).

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